

Alberta Economic Development

Global Economic Outlook 2002-2003

June 2002

Policy and Economic Analysis

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HIGHLIGHTS

- According to international forecasting agencies, the **world economy** grew between 2.1 and 2.5 percent in 2001, its lowest rate since 1992. This was largely the result of the high tech meltdown, falling manufacturing output, high oil prices, low growth in capital spending and the events of September 11. These factors also caused **world trade** volumes to decline marginally in 2001, after increasing by more than 12 percent in 2000.
- Despite continued weakness in the manufacturing sector, stronger household spending and increased inventory stability should boost world economic growth half a percent higher in 2002, leading towards an even higher increase of about 4 percent in 2003. World trade growth will be weak in 2002, but is expected to exceed 7 percent in 2003.
- After increasing by only 1.5 percent in 2001, **Canada's** economy is expected to expand more rapidly this year and in 2003, fueled by strong domestic demand, inventory rebuilding and higher exports. Forecasts are for GDP growth of 2.5 to 3.2 percent in 2002, and for 3.4 to 4 percent in 2003.
- Following a short-lived recession, the **US** economy started expanding in the fourth quarter of 2001 leading to surprisingly strong growth in the first quarter of 2002 - a result of strong consumer and government spending and inventory rebuilding. The US economy is anticipated to grow by 2.3 to 3 percent this year and by 3.4 to 3.7 percent in 2003.
- **Japan's** economy fell by 0.5 percent in 2001, pulled down by lower exports and investment and a contraction in manufacturing output. The outlook is for weak growth over the medium term because of sluggish domestic demand and the need for further restructuring.
- Most other **Asia Pacific** economies experienced a reduction in growth levels during 2001, although the outlook has improved for 2002 and beyond. A US recovery bodes well for countries dependent on high tech exports, such as Malaysia, Singapore and Taiwan, all of which were in a recession in 2001.
- The **European Union's** economy expanded by about 1.6 percent in 2001 as Germany and a number of smaller economies fell into a recession. Similar growth is forecast for 2002, leading up to a recovery in the second half of 2002 and a return to more normal growth levels of about 2.8 percent in 2003.
- With Argentina and, to a lesser extent, Mexico in a recession, **Latin America** expanded by only 0.5 percent in 2001. Similar growth is forecast for 2002, as the Argentinean crisis deepens, partly because of the recent devaluation, and as political turmoil pushes Venezuela into recession.

Introduction

The outlook presented in this report is based on the latest forecasts from the International Monetary Fund (IMF), Export Development Corporation (EDC), Economist Intelligence Unit (EIU), Kiel Institute of World Economics (Kiel), OECD, World Bank (WB), and the Asian Development Bank (ADB).

The report has a particular emphasis on regions that are of interest to Alberta exporters, and those that are facing special economic circumstances, such as recessions or structural reforms.

World Economic Growth

Because of the recent economic turnaround in North America, most forecasters have become more bullish about the outlook for world growth. Since the beginning of the year, global growth forecasts for 2002 have been raised by about ½ percent, with North America accounting for almost all of the increase.

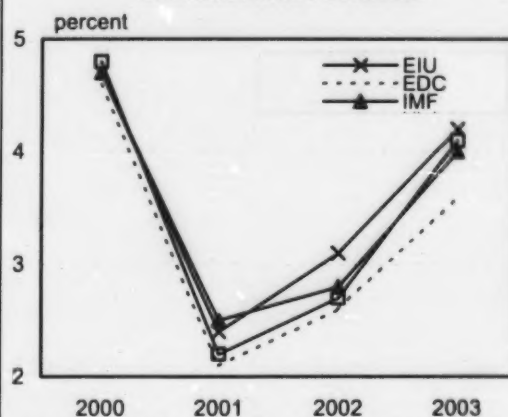
Although the events of September 11 did add to the global malaise caused by the recession in the manufacturing sector, and the high tech meltdown in particular, their effects were much smaller than initially feared. The main initial impacts were on tourism and on the global manufacturing industry, which cut inventories to the bone. However, consumer demand returned to normal levels quickly, especially in the US. First quarter 2002 results show a strongly expanding US economy, led by resilient consumer spending, restocking of inventories and a huge boost in defense spending.

In 2001, the world economy is estimated to have grown by between 2.1 and 2.5 percent, compared with 4.7 percent in

2000. Economic growth in 2001 was the lowest since 1992, a result of the high tech meltdown, high oil prices and low growth in capital spending, which also impacted world trade. Global manufacturing output declined steadily throughout 2001.

The World Travel and Tourism Council (WTTC) estimated the impact of September 11 events on global tourism revenues in 2001 at a loss of 4.8 percent, with a further decline forecast for 2002. The WTTC expects the tourism industry to see very strong output growth in 2003. All regions had lower growth in 2001, with the Latin and North American, Asian and Western European regions experiencing the largest declines. The speed at which the slowdown in the US spread to other regions took most forecasters by surprise.

World GDP Growth, 2000 - 2003
Estimates and Forecasts



Note: World GDP growth rates are based on exchange rates at Purchasing Power Parity.

Even though many economies, including the US, Japan and Germany, were in a recession last year, the IMF judged that the slowdown fell short of being a global recession. Unlike in 1982 and 1991, global per capita GDP growth was positive (at least 1 percent) in 2001.

US data show weak growth of 1.2 percent in the US in 2001, down from 4.1 percent in 2000. Most Asian, South American and European economies also registered much lower than expected growth rates in 2001.

Economic growth in 2002 is expected to be approximately $\frac{1}{2}$ percent higher than in 2001, at 2.6 to 3.1 percent. Although the global manufacturing industry and especially the high tech sector may see little if any growth this year, household spending and increased inventory stability will boost growth. The OECD's Composite Leading Index for its member states, all major developed countries, has been strengthening since November and stood nearly 3.9 percent higher in March than in October 2001.

Much higher growth is expected in the NAFTA region, as the US and Canada performed much better than expected in the first part of 2002. Mexico is expected to emerge from last year's recession, but will likely have the lowest growth of the three NAFTA economies.

The recovery in the European Union (EU) is anticipated to start in the second half of this year. The EU's four largest economies will have lackluster growth of less than two percent.

Japan is forecast to remain in a recession, but most other Asian economies will see stronger growth. China and India will remain Asia's growth leaders.

Although most Latin American countries will perform better in 2002 than in the previous year, overall growth for the region will remain low as a result of recessions in Argentina and Venezuela.

Slightly lower, but still strong, growth is forecast for the Middle East and Eastern Europe, while Africa should see higher growth.

For 2003, world growth is forecast at around four percent. Higher growth is forecast for all regions, especially for Latin America and the EU.

Although the chance of a global recession has diminished greatly in recent months, significant downside risks to these forecasts remain. These concerns include:

- The huge US trade deficit and private sector debt which, combined with higher interest rates, could potentially lead to another US slowdown.
- If corporate profits turn out to be lower than is currently reflected in many financial markets, stock prices could drop again.
- A dramatic increase in crude oil prices, for instance as a result of increased unrest in the Middle East, caused by an escalation of the Israel - Palestine confrontation or a US invasion of Iraq. This could fuel inflation and reduce economic growth in countries dependent on oil imports.
- Additional terrorist attacks on the US or other western economies.
- Structural imbalances in Japan are hampering its economic recovery, and its problems could spill over to its major Asian trading partners.
- Another round of declines in the demand for IT equipment could cause economic growth to fall sharply in major IT producers, many of which are located in Asia.
- Spill-over effects from the economic crisis in Argentina to other South American countries.
- Expansion of the India-Pakistan conflict.

World Trade

Growth in world trade volumes peaked in 2000, at just over twelve percent. Trade growth was especially strong for the Information Technology (IT) sector, particularly for semi-conductors and mobile phones. In 2001, however, trade volumes declined marginally, because of the high tech meltdown, recessions in the manufacturing sectors of industrialized countries and the terrorist attacks.

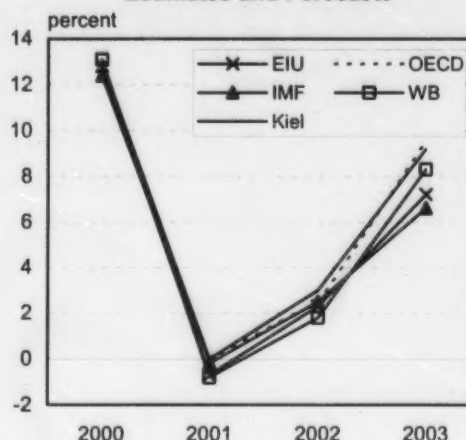
September 11 events affected world trade as a result of increased risk and uncertainty, and higher shipping and insurance costs. Although it is likely that these events will continue to have a downward impact on trade flows for some years to come, especially on cargo moving by air, the impact has so far been less than expected.

According to the World Trade Organization, countries and regions with a high dependency on exports of IT equipment, such as East Asia and the US, had large export declines in 2001. A number of IT dependent countries in East Asia had record reductions in exports and industrial output.

World trade is forecast to increase by between 1.8 and 3 percent in 2002, with most of the growth coming in the second half of this year, when world industrial output is expected to rebound. North America, Australia and a number of Asian tigers, such as China, South Korea and Malaysia, will increase imports significantly. The developing world, hit hardest by the 2001 slowdown in trade, will experience a stronger recovery in trade flows than the developed world in 2002.

Higher growth of around seven to nine percent is forecast for 2003. All regions, with the exception of major oil producers in the Middle East, will have increased trade flows.

World Trade Growth, 2000 - 2003
Estimates and Forecasts



According to Canada's Export Development Corporation (EDC), countries with the greatest export potential for Canada include:

- The US and Mexico because of their NAFTA ties;
- China and India with huge populations and booming economies, that will nearly double over the next ten years;
- A number of smaller emerging markets, such as South Korea, Hungary, Chile, Brazil and Poland, with a maturing and stable political system and increasing openness to foreign direct investment.

North America

The economies of North America were already slowing when the terrorist attacks helped push the US into a mild recession, pulling the Canadian economy down with it. But, in recent months, the economic prospects for both Canada and US have improved significantly and there is growing evidence that a recovery is now taking place.

United States

The United States experienced a recession during the second half of 2001, but because it was one of the shortest and shallowest on record, the economy escaped with a positive growth rate of 1.2 percent for the year. The terrorist attacks weakened activity in some sectors, particularly in the tourism and airline industries, but the overall effect was more moderate than initially feared. Economy.com estimates that the attacks caused a ¾ percent decline in economic output in 2001, but that the impact in 2002 and beyond will be minimal.

Cushioning the impact - and now leading the recovery - was resilient consumer spending, which grew by 6.1 percent in the fourth quarter of 2001, benefiting from interest rate and tax cuts, wage growth, auto incentives and lower oil prices.

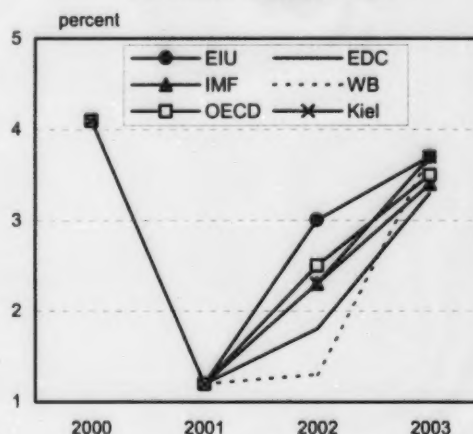
An expansion is taking form. GDP growth for the first quarter came in at a very strong annualized rate of 5.8 percent. Both consumer and business confidence have recovered. Firms are beginning to rebuild depleted inventories and industrial production is climbing to meet growing demand. The manufacturing sector as a whole has emerged from its recession, although the high tech and industrial machinery sub-sectors have not yet started to recuperate.

There are some risks to the recovery. The US, a net importer of energy products, is sensitive to a spike in oil prices that could arise from escalating tensions in the Middle East or a potential US led attack on Iraq. The possibility of another stock market correction and imbalances in the economy, specifically the high current account deficit and the growing levels of household and corporate debt, are other causes for concern. Lastly, the April unemployment rate came in at a higher than expected 6 percent, up from 4.5 percent a year earlier. Further unemployment increases could pose a threat to consumer confidence and weaken private spending.

With so many underlying risks, a wide variety of forecasts, ranging from 1.3 to 3.0 percent, have emerged for 2002 US GDP growth. Consumer spending will remain strong, growing about 3 percent, and government spending will increase to finance military efforts, but investment and export levels will stay weak.

The US economy will pick up steam in 2003, reaching about 3.5 percent growth as investment spending and exports recover.

U.S. GDP Growth, 2000 - 2003
Estimates and Forecasts

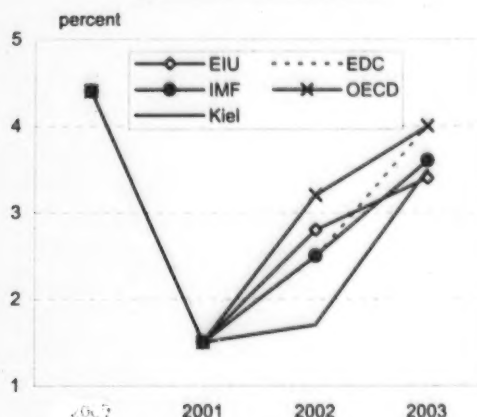


Canada

Affected by the US downturn, Canada saw its economic activity slow to only 1.5 percent growth in 2001, mainly because of inventory draw-downs and weak business investment. The economy contracted slightly in the third quarter, although this was more than offset by an expansion in the fourth. Because of weak US demand, exports fell 3.7 percent in 2001, led by a drop in machinery and equipment shipments. However, net exports rose strongly, as imports declined even more than exports.

Consumer spending grew 2.5 percent in 2001, owing partly to substantial monetary easing and federal and provincial tax cuts announced in the previous fiscal year's budget. Most provinces have followed with additional tax cuts, providing further boosts to disposable income and spending. In particular, residential investment and auto sales have been robust as a result of low mortgage rates, auto incentives and rising consumer confidence.

Canada's GDP Growth, 2000 - 2003
Estimates and Forecasts



The Canadian economy grew by a higher than expected annualized rate of 6 percent during the first quarter of 2002, mainly because of higher net exports, a

slowdown in inventory depletion and a robust residential market. For the year 2002, growth of 2.5 and 3.2 percent is forecast. Substantial employment gains, far exceeding those of the US, during the first four months should have a positive impact on consumer spending. However, overall growth in consumer spending could be lower than in 2001, as most auto incentives are now no longer available and new car sales are likely to drop as a result.

Business investment is expected to improve, and growth in residential construction and government investment will be robust. Exports should rebound, but growth will be modest.

GDP is expected to grow by a much-improved 3.4 to 4 percent in 2003 as exports increase sharply and domestic demand strengthens, as a result of strong growth in business investment and consumer spending and the replenishing of inventories.

Latin America

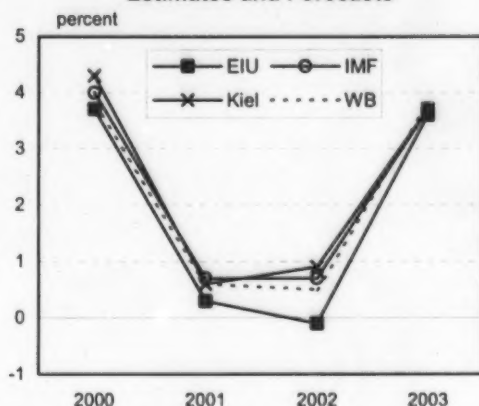
The Latin American economy slowed significantly in 2001, mainly because of the US slowdown, the crisis in Argentina, lower oil prices and reduced consumer confidence and demand.

Argentina, currently in the middle of an economic crisis, suffered the region's largest reduction in output in 2001. Mexico's economy also contracted, with weak US demand driving down its exports. Brazil's slowdown was largely related to the shortage of electrical power and its impact on industrial output. Meanwhile, Venezuela's economic prospects have faded amid escalating political turmoil and a large reduction in oil output.

Contagion from the Argentina crisis was more confined than initially feared, although there was some reduction in foreign investment flows to countries with strong economic ties to Argentina, such as Brazil and Uruguay. The risk of further spillovers persists, especially if policy actions fail to improve current conditions.

Latin America's GDP Growth 2000 - 2003

Estimates and Forecasts



The economy in Latin America will remain weak in 2002, with growth rates forecast at -0.1 to 0.9 percent, but could reach between 3.6 and 3.8 percent growth in 2003 as exports and consumer spending recover.

Mexico

Like Canada, Mexico was highly affected by the US slowdown in 2001. The economy shrank by 0.3 percent as weak demand in the US, the country's largest trading partner, contributed to a 6 percent decline in total export levels. In addition to a weaker external sector, domestic demand was flat, with higher consumer spending offsetting a decline in investment.

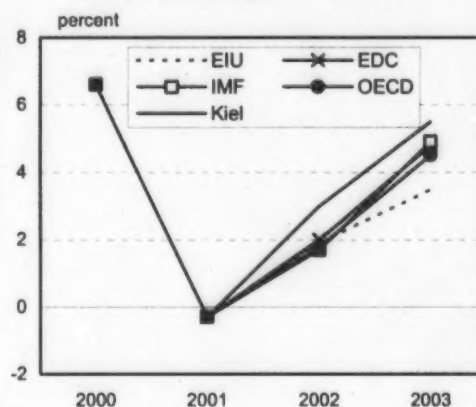
The government has embarked on cautious monetary and fiscal policies

aimed at reducing inflation and public sector debt. This has won favor among foreign investors as indicated by the recent rise in the peso against the dollar and the improved government bond ratings. However, these austerity measures did not provide any stimulus to jumpstart the economy, and Mexico remained mired in recession in the first quarter of 2002.

As the US economy recovers, Mexico is expected to experience higher investment and export levels later this year. But with employment contracting in 2001 and the unemployment rate reaching its highest level in three years, consumer spending may not gain momentum until 2003. Even though Mexico remained in a recession during the first quarter of 2002, GDP growth is forecast to come in at 1.7 to 2 percent this year.

Mexico's GDP Growth, 2000 - 2003

Estimates and Forecasts



In 2003, the economy should achieve a higher growth rate of between 3.5 and 5.5 percent growth, led by improvements in consumer spending, business investment and renewed strength in exports.

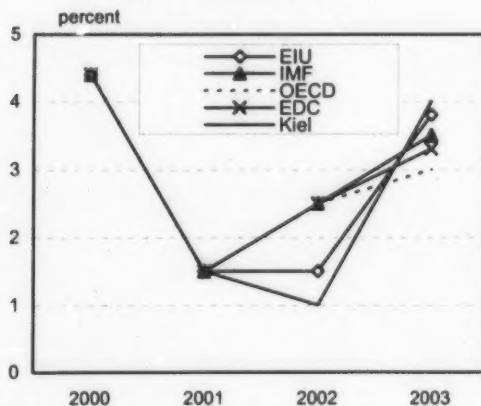
Brazil

After registering strong growth in 2000, the Brazilian economy advanced only 1.5 percent in 2001, as weak domestic demand, a decline in capital investment and inventory reductions more than offset a strong rise in exports levels.

A shortage of electrical power - caused by under-investment in additional capacity and insufficient rainfall - limited industrial output in 2001. But the easing of the energy crises and the ending of power rationing last March will likely have a positive impact on economic growth for 2002.

Brazil still faces some risks. Because of its large current account deficit, the country is highly dependent on foreign capital flows, and is therefore sensitive to speculation among foreign investors. Although financial contagion has been largely contained, there is the looming risk of additional spillover effects from Argentina, the country's second largest export market. In addition, uncertainty over presidential succession in this year's election may make foreign investors and the financial markets uneasy.

Brazil's GDP Growth, 2000 - 2003
Estimates and Forecasts



Only a slight improvement in economic growth is forecast for 2002, ranging from 1 percent to 2.5 percent, as the country continues to suffer from weak consumer demand. Exports will also drop, but investment levels should improve.

Growth should accelerate again to between 3 and 4 percent in 2003 as foreign inflows recover and private consumption strengthens.

Argentina

Argentina entered into a recession in 1999 and since then, has only seen its economic situation deteriorate further. Real output dropped by 4.5 percent for all of 2001, plummeting 10.7 percent in the fourth quarter alone. Poor export competitiveness, a result of having the currency tied to the US dollar, high interest rates and fiscal tightening have been major factors behind the country's weak performance.

Under the influence of poor export performance and mounting foreign debts, the government lifted the currency's peg to the US dollar in December 2001. The resulting devaluation, coupled with the worldwide economic recovery, should eventually boost exports, but in the near term, a lack of available financing is limiting production levels and shipments abroad. Another result of the devaluation is a return to the soaring inflation levels the country faced during the early 1990's.

The freeze on bank withdrawals, along with low consumer confidence and high unemployment, will pull down private spending levels in 2002. An even larger reduction in investment is expected because of heightened risks and lack of available credit. Government spending will decline in effort to reduce the fiscal deficit, only exacerbating the problem of weak domestic demand. Overall, real

output is expected to decline by 5 to 12.5 percent.

The outlook for 2003 is for much improved growth of -1 to 2.1 percent. These forecasts assume, for the most part, IMF acceptance and successful implementation of the government's economic program.

The European Union

Economic growth in the European Union slowed to about 1.6 percent in 2001, and actually declined in the final quarter. Germany was the first European country to enter a recession, in the third quarter, and was followed by a number of the region's smaller economies, such as Finland, Belgium and Denmark. Most other EU countries had much lower growth than in 2000 but managed to avoid a recession.

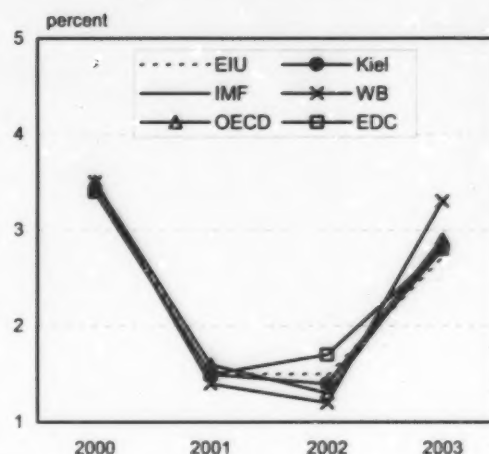
The global slowdown caused much lower growth in exports, especially to the US. High crude oil prices added to the region's problems. Investment fell and inventories were drawn down. Moreover, unlike in North America, consumer demand also weakened sharply, especially in Germany, Austria and Scandinavia.

The European Central Bank is not likely to stimulate the economy by further rate cuts because of concerns over stubbornly high inflation. April headline inflation was 2.4 percent: higher than the 2 percent target. As a result, a rate increase in June cannot be ruled out.

For 2002, most forecasters surveyed are expecting similar growth in the EU economy as in 2001 of 1.4 to 1.8 percent. The region's economic upturn will lag that of North America by about half a year, and will be largely dependent on the US recovery. A return to normal growth rates is not expected until the

third quarter, when domestic demand is forecast to recover.

Euro Zone's GDP Growth, 2000 - 2003
Estimates and Forecasts



Recent economic indicators have been mixed, with weaker than expected business confidence in Germany and GDP growth in the UK and Italy, but stronger consumer confidence in Italy and business confidence in the UK. The EU's retail and industrial sectors were weak during the first quarter, but the euro region's Purchasing Managers Indices have recently started to show signs of strength. Early indications are that the growth leaders for 2002 will be France and Italy, while Germany continues to lag.

Economic growth in 2003 is forecast to be higher than in 2002, at between 2.7 and 2.9 percent, close to long term potential. Consumer spending, investment and especially exports should strengthen.

Over the longer term, structural changes will be needed to improve the region's productivity. Barriers to entry and labour market rigidities remain in many member states, and tax reform will be vital.

This year's transition in the 12 countries of the euro region to a common currency occurred smoothly. The changeover had only a marginal impact on inflation. Over the long run, it will have a positive effect, as it increases price transparency across the region, and therefore reduces price differentials, and lowers transaction costs. It may also boost intra-regional trade.

A risk to the outlook for the EU is a major appreciation in the euro, which could occur as a result of the over-valuation of the US dollar. This could hamper the EU's recovery, as it would likely result in lower exports.

United Kingdom

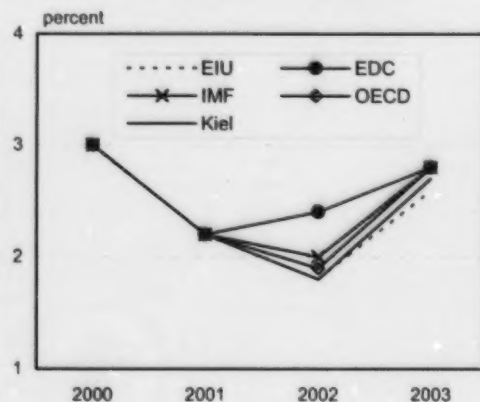
The UK's economy was less affected by the global slowdown than its EU partners. The economy expanded by 2.3 percent in 2001, as a result of strong domestic demand. Consumer spending in particular remained strong, partly because the Bank of England reacted quickly to the global slowdown by cutting interest rates aggressively. However, net exports declined, as imports grew much faster than exports, and the manufacturing sector fell into a recession.

The UK appears to be lagging behind in its recovery relative to most of its EU partners - first quarter GDP was unchanged. The manufacturing and energy industries had unexpectedly large production declines and exports continued to decline. Therefore, growth in 2002 will likely be lower than in 2001, at about 1.8 to 2 percent.

Exports are expected to remain weak for the remainder of 2002, and investment should decline. Strong consumer demand could lead to the Bank of England increasing interest rates later this year and in 2003, which should reduce growth in consumer spending.

However, record private household debt is a major concern. Public spending was boosted in 2001 and will again see strong growth in 2002.

U.K.'s GDP Growth, 2000 - 2003
Estimates and Forecasts



Much stronger export and investment growth, and further increases in public spending could lead to higher growth in 2003 of 2.6 to 2.8 percent.

Germany

Germany experienced a recession in the second half of 2001, as a result of falling domestic demand caused by very low growth in consumer spending, high oil prices, a decline in investment and very large inventory draw-downs. September 11 events exacerbated the economic situation. The manufacturing, construction and agricultural sectors were slightly down from 2000. However, the external sector ensured that economic growth for the year was positive, as export growth far exceeded import growth. Former East Germany was hit especially hard.

Although the outlook for Germany for 2002 is an improvement from the country's 2001 performance, it continues to be the worst of all EU members. GDP

is forecast to increase by 0.7 to 1.2 percent in 2002.

Domestic demand should remain weak in 2002: consumer spending has already experienced its third consecutive quarterly decline in the first quarter of 2002 and investment spending is expected to drop. Export growth will also be lower than in 2001, but much higher than import growth. The turnaround could be in inventory levels, which, after their sharp decline in 2001 and the first quarter of 2002, are expected to be built back up, thereby providing the largest boost to economic growth. As a result, the manufacturing sector is expected to recover. Construction, on the other hand, will suffer another decline.

Higher growth of 2.4 to 2.7 percent is forecast for 2003, as domestic demand, especially investment and private consumption, will see much higher growth. The manufacturing, construction and service sectors will also perform much better than in 2001 and 2002.

Perhaps the greatest downside risk to the current outlook is posed by the proposed strikes by IG Metall, Germany's metal workers union. Although inflation pressures will not likely be increased significantly by an excessive agreement, business confidence could be dented (it fell against expectations in March), and investment could take even longer to recover. Employment growth could also suffer, as could Germany's attractiveness for foreign investment.

France

In 2001, France's economy expanded by 2 percent, although GDP declined in the fourth quarter. Consumer spending and investment held up better in France than in the EU as a whole, and net exports also contributed to growth, as a result of declining imports. As in many other economies, inventory draw-downs

lowered overall GDP growth. France's manufacturing sector bucked the global trend and managed to grow marginally.

For 2002, lower growth of between 1.4 and 1.6 percent is forecast. First quarter GDP growth was stronger than expected, yet low by historical standards. Investment could decline in 2002 and imports will grow faster than exports (hence a decline in net exports). Growth in consumer spending will be lower than in 2001, because of low consumer confidence and rising unemployment. Business confidence has been falling for almost a year, but inflation remains low.

Higher growth of 2.6 to 3 percent is expected in 2003. A stronger global economy will lead to much higher export growth, while investment is also expected to make a positive contribution to GDP growth.

Italy

Italy's economic growth declined to 1.8 percent in 2001, with all major GDP components experiencing marginal increases. Manufacturing output declined slightly and the tourism industry suffered a decline in the fourth quarter.

In 2002, growth is expected to be slightly lower than in 2001, at 1.3 to 1.7 percent. First quarter GDP growth was weaker than expected, as industrial output continued to decline. Stronger growth of 2.8 or 2.9 percent is forecast for 2003, when growth in consumer spending, business investment and exports should return to more normal levels.

Italian productivity growth continues to be lower than in most other EU countries, which threatens Italy's long-term competitiveness. Its relatively small IT sector could also constrain the economy's future growth potential.

Eastern Europe

Economic growth remained strong in the Eastern European region at just over 4 percent (this excludes Turkey). However, this was about 2 percent lower than in 2000, as a result of the slowdown in Western European markets. Capital investment and consumer spending remained strong. The region's recent strong performance has been attributed to the successful implementation of market reforms and strong productivity gains.

If Turkey is included in Eastern Europe's 2001 GDP growth rate, the region's growth drops by approximately 2 percent, as a result of Turkey's steep recession.

All sub-regions registered positive growth in 2001, but growth was exceptionally strong in the CIS (former Soviet Union), especially in the break-off states, such as Kazakhstan and the Ukraine.

GDP growth slowed the most in Russia, falling from 9 percent in 2000 to 5 percent in 2001. Most other CIS countries had stronger growth than in 2000, as they were little affected by the global slowdown and received a boost from the strength of domestic demand in Russia.

The Polish economy came to a standstill in 2001, growing by a mere 1.1 percent, mostly due to high interest rates. Hungary's economy expanded by 3.8 percent in 2001, and will likely see slightly lower growth in 2002, as a result of lower public spending and a strong currency.

The Czech Republic had strong growth of about 3.5 percent in 2001. Strong investment and consumer spending caused a more than five percent increase in domestic demand.

The Baltics, i.e. Estonia, Lithuania and Latvia, had another very strong year in 2001, also a result of strong domestic demand, as well as exports to Russia.

The Balkan region's economy grew strongly in 2001 by nearly 5 percent. One of the Balkans' main economies, Romania, recovered strongly, expanding by just over 5 percent, because of strong growth in all goods producing sectors (for example agricultural output rose more than 20 percent). Bulgaria's output also grew by about 5 percent in 2001, mainly as a result of a very large increase in capital investment.

Turkey's economy was in a deep recession in 2001, with output falling by more than 7 percent, as a result of banking and currency crises. Although net exports grew strongly, domestic demand fell by one fifth: investment dropped by a third and consumer spending by ten percent. GDP is expected to increase by 2 percent in 2002 and could grow by more than 4 percent in 2003, because of stronger domestic demand.

The outlook for the rest of Eastern Europe remains positive, and all countries are forecast to see their economies expand in both 2002 and 2003, as exports to Western Europe recover in the non-CIS region and consumer demand strengthens in the CIS. Forecasts for this region are for growth of just under 3 percent in 2002, and 4 percent in 2003.

The CIS region could see growth of about 4 percent in both 2002 and 2003. The region's economic prospects depend on the outlook for Russia, which accounts for two-thirds of the CIS economy, and has been increasing its imports from the other states as a result of strong domestic demand. Trade within the region will likely strengthen further as Russia's crude oil export revenues are

high enough to sustain a higher level of imports.

Strong investment growth and consumer spending will lead to GDP in the **Balkans** expanding by slightly over 4 percent in 2002 and close to 5 percent in 2003. Similar growth is forecast for the **Baltics**, mainly as a result of strong investment growth. For both regions, lower growth in 2002 is the result of low export growth, especially to the EU.

Although growth in domestic demand is expected to remain strong, **Hungary** and the **Czech Republic** are forecast to have slightly lower growth of about 3 to 3.5 percent in 2002, partly because their strong currencies are contributing to weak export demand. Higher growth of about 4 percent can be expected for 2003 as exports to Western Europe rise more strongly.

First quarter results suggest that **Poland's** economy will not perform much better in 2002 than it did in 2001. Austerity measures in the March budget could further dampen domestic demand, and could limit GDP growth in 2003 to about 2.5 percent.

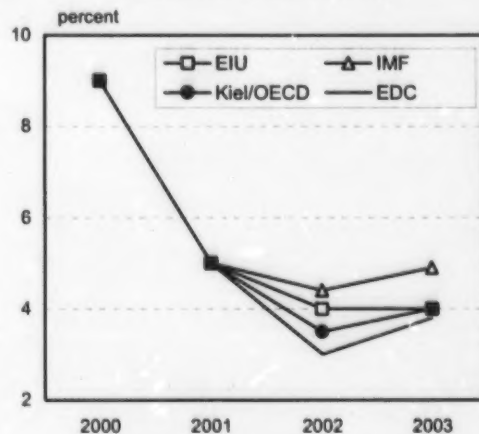
Russia

Russia's GDP increased by 5 percent in 2001, as a result of very strong growth in private consumption and investment. Strong domestic demand also caused a surge in imports, which led to a large decline in net exports. The trade balance, however, remains in a large surplus position, as a result of strong oil exports.

Russia's recent economic success was caused by the policy reforms that were introduced after the 1998 financial crisis, the currency devaluation that also followed the crisis, and strong commodity prices, especially for crude oil.

The 2002 outlook is for economic growth to moderate to 3.5 to 4 percent, as net exports continue to decline and growth in domestic demand falls to 5 percent. The outlook assumes continued strong growth in crude oil output, although production growth in Russia's core sectors is expected to be substantially lower than in 2001. Modest GDP growth of 3.3 percent was achieved in the first quarter of 2002.

Russia's GDP Growth, 2000 - 2003
Estimates and Forecasts



For 2003, most forecasters call for growth of 4 percent. Domestic demand will remain strong although probably weaker than in 2002, and net exports could make a positive contribution to GDP growth.

Russia has made substantial progress in its market reforms and the transformation to a market economy now seems irreversible. The pace of reform accelerated in 2001, with reform of the tax, pension, land, bankruptcy, labour and customs codes. This bodes well for the country's long-term outlook. However, more reform is still needed, and implementation and enforcement of past reforms have not yet been fully achieved.

One factor clouding the long-term outlook is the country's dependency on oil exports. A one dollar increase in oil prices could boost GDP by as much as ½ percent. Another factor is the sharp increases in labor costs over the past few years. While Russia's labor costs are still low, if the trend of large wage increases continues, Russia's international competitiveness could suffer.

Asia Pacific

In 2001, the Asia Pacific region, which includes such diverse economies as Japan, China, India, the ASEAN (Association of South-East Asian Nations) and Australia, saw much lower growth than in the previous year. The entire region expanded by about 1.5 percent at purchasing power parity (estimates vary depending on what economies and how the economies were combined).

The region's weak growth was largely the result of lower exports, especially of ICT equipment, such as semi-conductors, telecom equipment and computer peripherals. This in turn led to a sharp decline in ICT investment in the region. In the US, which accounts for about a quarter of East Asia's exports, imports declined by 2.8 percent in 2001. Consequently, a number of the region's high tech producing economies, such as Singapore, Taiwan and Malaysia, were in a recession.

The recent recovery of the US economy bodes well for Asia's prospects. US technology imports rose by more than 80 percent (on an annualized basis) between the fourth quarter of 2001 and the first quarter of this year. Partly as a result of this, a number of countries, such as South Korea, Malaysia and China, started to see strong export growth towards the end of the first quarter.

Growth by major country/trading bloc in 2001 was as follows:

- The ASEAN-4 (Indonesia, Malaysia, Philippines and Thailand) grew by about 2.5 percent. Malaysia's growth tumbled to 0.4 percent, Thailand's to less than 2 percent, while the other two economies were growing by close to 3.5 percent. Exports declined in all four countries.
- The NIC (newly industrialized countries) region of Hong Kong, South Korea, Taiwan and Singapore, expanded by less than 1 percent. The economies of Hong Kong, Taiwan and Singapore were in a recession, while South Korea grew by 3.3 percent.
- China expanded by 7.3 percent.
- Japan was in a recession, with a 0.4 percent GDP decline.
- India grew strongly by about 5 percent.
- Australia's GDP increased by 2.4 percent.

The outlook for the Asia Pacific region has turned more positive recently. This is borne out by first quarter results for a number of the region's economies, such as South Korea and Taiwan. For 2002, most forecasters are expecting growth for the entire region to be close to last year's 1.5 percent. This low forecast results from the Japanese economy accounting for a large share of the region's economy and a further deterioration in its economic performance. However, most of the region's other economies will have respectable growth, although still low by historical standards.

Higher growth of more than 3 percent is forecast for 2003, as a result of much stronger domestic demand. Both consumer spending and investment will likely see much higher growth than in the past few years.

ASEAN-4

The ASEAN-4 will see slightly higher growth of just over 3 percent in 2002, and will return to near normal growth levels of over 4 percent in 2003. The region's tourism industry has been hit hard by the September 11 events, as well as regional instability. The *World Travel and Tourism Council* is forecasting a substantial decline for this industry in 2002, especially in Indonesia and Thailand.

Thailand's economy could expand by 2.5 to 3 percent in 2002, largely because of a large boost in public spending. For 2003, growth of 3 to 3.5 percent is forecast, as both domestic and foreign demand increase. Economic recovery hinges on the recovery of the global ICT sector, as Thailand's ICT exports account for 60 percent of total exports. The large public debt that has been accumulated during the past few years could pose risks for the Thai economy over the longer term.

Indonesia's outlook is for growth of between 3 and 4 percent for all of 2002, because of strong oil prices and public spending, and export growth in the second half. However, recent flooding will limit production in the first half of 2002. Stronger domestic demand could boost GDP growth to between 3.5 and 4.5 percent in 2003. Foreign investment prospects remain weak because of regional violence and concerns about security. Progress in political and economic restructuring has continued, for instance through decentralization and privatization. The current regime has also shown a willingness to address difficult political issues, such as those related to human-rights and the prosecution of high-profile individuals.

The economy of the **Philippines** will also grow by about 4 percent in 2002, because of strong domestic demand and

increased exports. Stronger domestic and foreign demand will raise 2003 GDP growth to close to 4.5 percent. The country's new administration is making good progress in economic and fiscal reform. This should result in stronger domestic demand starting in 2003.

Malaysia's growth forecasts range from 3 to 4.5 percent for 2002, and about 5 to 6 percent for 2003. For Malaysia, growth in domestic demand, especially investment, is expected to far exceed that of the foreign sector, due to recent tax reform and public spending. Exports started to recover in the first part of 2002, but imports are expected to grow faster in both years.

Newly Industrialized Countries

The NIC region is forecast to expand by approximately 3 to 3.5 percent in 2002, and by up to 5 percent in 2003. This recovery will be mostly export driven.

The **South Korean** economy expanded by 3.3 percent in 2001. Exports and investment declined, especially in the ICT sector, but private consumption remained relatively firm. The US recovery should lead to a modest rebound in exports for 2002. Consumer demand is strengthening and public spending will increase sharply because of major international sporting events being held in Korea. As a result, overall GDP growth is forecast at 4 to 5 percent. Stronger export growth, especially to the US, China and Japan, and inventory restocking, could cause GDP growth to rise even further to at least 5 percent in 2003. In addition, recent corporate and financial restructuring has made the Korean economy more competitive.

Singapore's economy, which is heavily dependent on ICT exports, was in a recession in 2001, with GDP declining by 2 percent. Manufacturing output fell by more than 10 percent, and inventory

draw-downs caused a large decline in domestic demand. First quarter growth, however, was much higher than expected, and growth for all of 2002 is forecast to come in at 3 to 3.5 percent, as exports increase and inventories are restocked. Stronger domestic and foreign demand and inventory restocking could boost 2003's GDP growth to between 5 and 6.5 percent.

Hong Kong's economy grew by only 0.1 percent in 2001, also as a result of lower exports as well as weak domestic demand. Growth is forecast to remain low in 2002, at 1 to 2 percent, due to weak domestic demand. Exports, especially to China, are expected to strengthen throughout the year. Higher growth of between 3.5 and 5 percent is forecast for 2003, as domestic and foreign demand strengthen. In the longer run, Hong Kong is facing competitiveness problems, caused by structural changes, primarily its integration with the mainland.

In 2001, **Taiwan's** GDP declined by 1.9 percent, because of large declines in ICT exports and investment, which was partly caused by a shift of production towards mainland China. Weak growth in investment, consumer spending and exports will limit 2002's GDP growth to 2 to 3 percent. Inventory restocking could supply boosts to the economy in 2002 and especially in 2003. While stronger investment should contribute to an expansion of 4 to 5 percent in 2003, the relocation of manufacturing plants to the mainland may continue to hamper the country's long run growth potential.

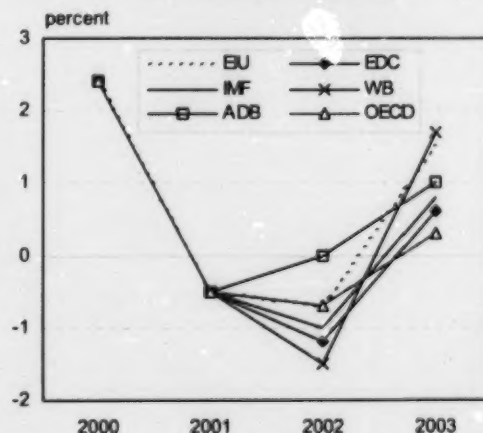
Japan

Japan's economy was in another recession in 2001, with output declining by 0.4 percent. Fourth quarter results were especially weak, with a 4.5 percent GDP decline. 2001 exports fell by more than 6 percent in volume terms, which

also led to declines in the manufacturing sector. Capital investment also declined, consumer spending stagnated and deflation continues to remain a problem. Japanese travel to North America continues to be affected by the events of September 11, and private companies have increased their security measures.

Most forecasters are expecting Japan to emerge from its recession sometime in 2002. However, because of the severity of the declines throughout 2001, Japan's GDP will likely be lower for the full year of 2002 than it was in the previous year. Forecasts for 2002 range from 0 growth to a 1.5 percent contraction. Although exports could stage a recovery and inventory rebuilding will make a positive contribution to GDP, consumer spending and investment are expected to decline.

Japan's GDP Growth, 2000 - 2003
Estimates and Forecasts



Machinery orders, a leading indicator of investment, retail sales and wages continued to decline in the first months of 2002, and business failures were on the rise.

The recovery will continue into 2003, and will be based on higher exports and

inventory restocking. GDP growth of 0.3 to 1.7 percent is forecast.

Japan's economy will remain sluggish in the medium term, as domestic demand remains weak. The economy's large excess capacity has led to deflation. For example consumer and asset prices have been falling since 1999 and are expected to continue to fall over the near term. The EIU is forecasting GDP growth to average only 0.8 percent through 2012.

Even though interest rates have been lowered to close to zero percent, this has not led to increased spending. Deflation makes it profitable to postpone spending, as prices will be lower in the future. Relatively high real interest rates also reduce the demand for loans. In addition, the public sector cannot boost the economy by sharply increased spending, as Japan's national debt to GDP ratio already exceeds 130 percent.

The recent devaluation of the yen increases Japan's export competitiveness, but Japan may not be able to fully capitalize because of the large trade surplus with the US. Rising exports to the US would further add to the US' current account deficit problems. However, the devaluation of the yen should increase import prices and could contribute to ending Japan's deflationary problems.

Although the government has made some progress in restructuring, more still should be done and implementation needs to be sped up. Restructuring of the banking sector is progressing, yet the sector remains in a near crisis situation, as a result of its reluctance to foreclose on bad loans and the ensuing default risks. On-site inspections in March of this year of a large number of banks showed that the banks' bad loans problem is even worse than feared.

Japan's retail, construction and distribution industries remain inefficient and unproductive. Barriers to entry, the ability of unprofitable companies to remain in business, and the absence of consolidation all contribute to this situation persisting over at least the medium run. Restructuring is taking place in the manufacturing sector, which should lead to increased productivity and efficiency.

China

As expected, the global slowdown did not affect China as much as other Asian countries. The Chinese economy expanded by 7.3 percent in 2001, again led by robust growth in investment and net exports, although both export and import growth was much lower than in 2000. Growth in private and public consumption, although strong, was lower than in 2000. Industrial output increased sharply, as did foreign direct investment (FDI), partly as a result of China's accession to the World Trade Organization (WTO).

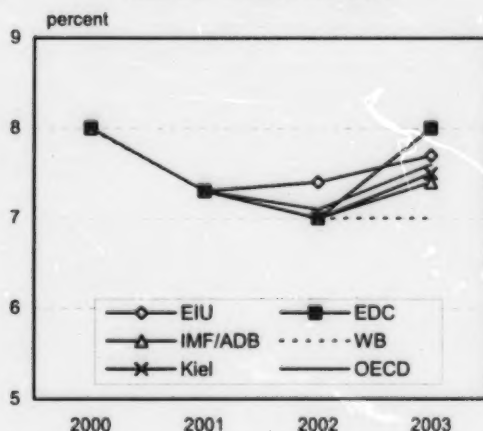
In 2001, China passed Canada to become the world's fourth largest trading nation, after the EU, the US and Japan.

Similar GDP growth of 7 to 7.4 percent is forecast for 2002. A sharp decline in net exports, as import growth is expected to outstrip export growth, could be offset by higher growth in government spending and investment. Rising unemployment, caused by a slowdown in the agricultural sector, will hold back consumer spending, and is also putting a significant strain on the public purse.

Economic results for the first quarter of 2002 were good, with higher GDP growth of 7.6 percent, partly because of increased government and private sector spending, and falling consumer prices.

Slightly higher growth of between 7 and 8 percent is forecast for 2003, as increased growth in consumer demand should more than offset a declining trade surplus.

China's GDP Growth, 2000 - 2003
Estimates and Forecasts



Import growth will likely continue to exceed export growth over the medium term, because of China becoming a member of the WTO.

Accession to the WTO has accelerated reform of foreign trade and investment legislation. Yet, there are a large number of bureaucratic hurdles left for foreign companies to overcome. These hurdles will slowly start to be eliminated as a result of WTO membership and a declining government bureaucracy. The domestic private sector remains relatively small, and more enabling legislation is needed for this sector to absorb its share of the large numbers of new labor market entrants and laid off government workers.

India

India has been one of the fastest growing economies in Asia during the past ten years as a result of economic reforms in

the early nineties. The Indian economy continued to expand strongly by 5 percent in 2001. Although the global slowdown led to lower growth in exports, India was not affected as badly as many other nations, as it does not have a strong IT export base. Domestic demand remained firm, with inventory building providing a major boost.

For 2002, higher growth of 5.5 to 6.1 percent is forecast, as domestic demand and investment in particular strengthen. Slightly higher growth is expected in 2003, mostly because of stronger growth in consumer spending. The major risk to India's forecast is the escalation of border violence between India and Pakistan in Kashmir. A war between the two nations cannot be ruled out.

On-going economic reforms, albeit at a slow pace, should contribute to even stronger long-term growth.

Australia

Australia's economy performed better than most other developed economies, growing by 2.4 percent in 2001. Consumer demand increased more strongly than in the previous year, and net exports rose as a result of a decline in imports.

In 2002, GDP growth is expected to rise to 3.4 to 4 percent, because of higher growth in domestic demand, especially in consumer spending and investment. Net exports could decline, as the strong domestic economy will provide a boost to imports.

For 2003, slightly higher growth of 3.7 to 4.3 percent is forecast. Domestic demand is expected to remain strong and the global recovery should provide a major boost to exports.

Middle East

Because of declines in crude oil production, weakness in EU export markets, a sharp decline in tourism revenues and a recession in Israel, economic growth in 2001 in the Middle East, including North Africa, fell from more than 4 percent in 2000 to close to 3 percent. Strong crude oil prices provided the major boost to the region's economy.

In 2002, lower oil production, weakness in EU export and tourism markets and regional instability will dampen the region's growth prospects. Most forecasters therefore expect similar or slightly lower growth than in 2001. However, the region will benefit if oil prices remain near their current levels.

Higher growth of at least 4 percent is forecast for the region for 2003. The economic resurgence will be broad-based, but prospects have improved particularly for the non-oil producing countries.

The major risk to this outlook is of a further deterioration in the region's stability as a result of an escalation of the Israel - Palestine conflict or a possible US invasion of Iraq.

Saudi Arabia's economic growth fell from more than 4 percent in 2000 to about 2 percent in 2001, because of oil production cutbacks. Further cutbacks and regional insecurity could reduce growth to less than 1 percent in 2002. However, this is premised on crude oil prices for all of 2002 being significantly below current levels. Higher growth of more than 3 percent is forecast for 2003 as crude oil export volumes increase and prices remain stable.

Egypt's economy is expected to have grown by 2.5 to 3.5 percent in 2001. The number of tourists visiting Egypt fell by 16 percent, as a result of September 11

and the Israel - Palestine conflict. Exports grew strongly, but domestic demand was weak. Growth of less than 2 percent in 2002 is forecast, as domestic demand and the tourism sector remain weak and exports decline. Increased domestic demand, strong exports and a better tourism outlook should lead to higher growth for 2003.

Iran's GDP increased by more than 4 percent in 2001, because of high oil prices and increased oil production and investment. Recent reforms will boost the non-energy sector in 2002, but crude oil volumes will remain flat. As a result, slightly lower growth of about 4 percent is forecast for 2002. Higher growth is expected in 2003, because of stronger crude oil production and prices.

Israel's economy was in a recession in 2001, partly because of lower IT exports and tourism revenues. Low growth of less than 2 percent is expected for 2002 and another recession year cannot be ruled out, as regional violence negatively impacts tourism, consumer confidence remains low and investment continues to decline. Assuming an improvement in regional stability, higher growth of at least 3 percent is expected for 2003, as exports and investment spending recover.

Africa

In Sub-Saharan Africa, 2001 GDP growth was about 2.5 to 3.5 percent.

Commodity prices, for instance for coffee, cotton and cocoa, declined sharply, exports increased marginally and tourism receipts were lower. However, crude oil prices remained high and agricultural production was strong in many countries. The strongest growth was recorded by Mozambique, Botswana, Chad, Equatorial Guinea and Ethiopia.

Oil exporting countries, such as Angola, Nigeria and Congo, again had strong GDP growth. Countries with political unrest or civil strife, such as Zimbabwe, the Democratic Republic of Congo (DCR) and Cote d'Ivoire, had declines in GDP. Economies dependent on non-oil commodities, like Kenya and Mali, had low growth. Ongoing economic reforms have resulted in sustained and robust economic growth in recent years in Botswana, Uganda, Tanzania, Senegal and Cameroon.

Similar or slightly higher growth is forecast for 2002, as exports and tourism remain weak, and of 3.5 to 4.5 percent for 2003, as commodity prices and export volumes strengthen.

Most of the region's oil producers are expected to see lower growth than in 2001, although Angola could see GDP increase by more than 10 percent in 2002 and by close to 7 percent in 2003, as oil production continues to increase. For Nigeria, the region's second largest economy, low growth is forecast for this year, because of oil quota cutbacks, but stronger growth for 2003, as oil production is expected to recover.

The end to unrest in Cote d'Ivoire and the DCR will lead to a positive economic performance in 2002 and especially 2003. Congo will likely be in a recession this year, because of the recent outbreak of fighting. As the economic and political crises continue in Zimbabwe, the economy will remain in its steep recession for at least another year. There is a risk of spill-over effects from the Zimbabwean unrest to other Southern African countries.

Most countries, which are dependent on non-oil commodities, will again have low growth in 2002, but should perform better in 2003. Kenya, heavily dependent on

coffee exports, will continue to underperform in 2002 and little improvement is expected for 2003. According to the World Bank non-oil export commodity prices for the sub-Saharan region have fallen by nearly 60 percent in real terms since 1980.

The region's economic powerhouse, **South Africa**, had low growth of 2.2 percent in 2001, because of the weak global economy and low gold and platinum prices. Growth of about 2.5 percent is forecast for 2002, as net exports are expected to decline, and of 3 to 4 percent for 2003, as both foreign and domestic demand improve.

African countries that are forecast to do well include Angola, Uganda, Tanzania, Ghana, Mozambique, Sudan, Senegal, Ethiopia, Mauritius, Chad, Botswana and Cameroon.

A long-term concern for the region is the HIV/AIDS epidemic. In 1999, approximately 9 million sub-Saharans carried the virus. The IMF estimates that economic growth in Kenya is lowered by at least 0.75 to 1.5 percent a year as a result of the epidemic, which has affected 14 percent of its adult population. Another study estimates that by 2005, 30 percent of South Africa's work force will be infected.

The IMF has identified the following factors that positively impact the region's future economic performance:

- The Heavily Indebted Poor Countries initiative, which now provides debt relief to 20 of the region's poorest countries.
- The New Partnership for African Development.
- Ongoing economic reforms.
- Lower inflation.

Appendix
Economic Growth Forecasts by Agency, Region and Country
(Gross Domestic Product Growth Rates in Percent)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
World				
Economist Intelligence Unit	4.7	2.4	3.1	4.2
Export Development Council	4.6	2.1	2.6	3.6
International Monetary Fund	4.7	2.5	2.8	4.0
World Bank	3.9	1.2	1.3	3.6
Kiel Institute of World Economics	4.8	2.2	2.7	4.1

Note: All world GDP growth rates are based on exchange rates at Purchasing Power Parity, except for the World Bank forecasts, which are based on actual exchange rates.

World Trade Volumes				
Economist Intelligence Unit	12.8	-0.7	2.3	7.2
International Monetary Fund	12.4	-0.2	2.5	6.6
World Bank	13.1	-0.8	1.8	8.3
OECD	12.7	0.0	2.5	9.5
Kiel Institute of World Economics	13.0	0.0	3.0	9.2

North America (US, Canada and Mexico)

Export Development Council		1.0	2.2	3.5
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United States

Economist Intelligence Unit	4.1	1.2	3.0	3.7
Export Development Council	4.1	1.2	1.8	3.3
International Monetary Fund	4.1	1.2	2.3	3.4
World Bank	4.1	1.2	1.3	3.7
Kiel Institute of World Economics	4.1	1.2	2.3	3.7
OECD	4.1	1.2	2.5	3.5
Asian Development Bank	4.1	1.2	3.0	3.0

Canada

Economist Intelligence Unit	4.4	1.5	2.8	3.4
Export Development Council	4.4	1.5	2.5	4.0
International Monetary Fund	4.4	1.5	2.5	3.6
Kiel Institute of World Economics	4.4	1.5	1.7	3.5
OECD	4.4	1.5	3.2	4.0

Latin America (incl. Mexico)

Economist Intelligence Unit	3.7	0.3	-0.1	3.6
International Monetary Fund	4.0	0.7	0.7	3.7
Kiel Institute of World Economics	4.3	0.6	0.9	3.7
World Bank	3.8	0.6	0.5	3.8

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Mexico				
Economist Intelligence Unit	6.6	-0.3	1.9	3.5
Export Development Council	6.6	-0.3	2.0	4.8
International Monetary Fund	6.6	-0.3	1.7	4.9
Kiel Institute of World Economics	6.6	-0.3	3.0	5.5
OECD	6.6	-0.3	1.8	4.5
Brazil				
Economist Intelligence Unit	4.4	1.5	1.5	3.8
Export Development Council	4.4	1.5	2.5	3.3
International Monetary Fund	4.4	1.5	2.5	3.5
Kiel Institute of World Economics	4.4	1.5	1.0	4.0
OECD	4.4	1.5	2.5	3.0
Argentina				
Economist Intelligence Unit	-0.8	-4.5	-10.0	2.1
Export Development Council	-0.8	-4.5	-8.0	-1.0
International Monetary Fund	-0.8	-4.5	-12.5	1.5
Kiel Institute of World Economics	-0.8	-4.5	-5.0	0.5
Europe				
Economist Intelligence Unit	3.5	1.5	1.3	2.6
Euro Region				
Economist Intelligence Unit	3.5	1.5	1.5	2.7
Export Development Council	3.4	1.5	1.7	2.8
International Monetary Fund	3.4	1.5	1.4	2.9
World Bank	3.5	1.4	1.2	3.3
Kiel Institute of World Economics	3.4	1.5	1.4	2.8
OECD	3.5	1.6	1.3	2.9
Asian Development Bank	3.4	1.5	1.7	3.0
United Kingdom				
Economist Intelligence Unit	3.0	2.2	1.8	2.6
Export Development Council	3.0	2.2	2.4	2.8
International Monetary Fund	3.0	2.2	2.0	2.8
Kiel Institute of World Economics	3.0	2.2	1.8	2.7
OECD	3.0	2.2	1.9	2.8
Germany				
Economist Intelligence Unit	3.0	0.6	1.2	2.6
International Monetary Fund	3.0	0.6	0.9	2.7
Kiel Institute of World Economics	3.0	0.6	0.9	2.4
OECD	3.0	0.6	0.7	2.5

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
France				
Economist Intelligence Unit	3.6	2.0	1.5	2.6
International Monetary Fund	3.6	2.0	1.4	3.0
Kiel Institute of World Economics	3.6	2.0	1.5	2.9
OECD	3.6	2.0	1.4	3.0
Italy				
Economist Intelligence Unit	2.9	1.8	1.7	2.8
International Monetary Fund	2.9	1.8	1.4	2.9
Kiel Institute of World Economics	2.9	1.8	1.3	2.9
OECD	2.9	1.8	1.5	2.8
Eastern Europe				
Economist Intelligence Unit	6.6	4.4	3.2	4.1
International Monetary Fund	6.6	3.8	3.9	4.4
Export Development Council*	4.4	2.9	3.0	3.9
Kiel Institute of World Economics	5.6	4.1	3.2	4.3
World Bank*	6.4	2.2	3.2	4.3
* Includes Turkey				
Eastern Europe (excl. Russia)				
Economist Intelligence Unit*	3.5	2.4	2.3	3.8
International Monetary Fund	3.8	3.1	3.0	4.0
Kiel Institute of World Economics	3.7	3.0	2.9	4.1
World Bank	3.8	2.9	2.8	4.3
* Excludes CIS				
Commonwealth of Independent States				
Economist Intelligence Unit	8.8	5.8	3.7	4.3
International Monetary Fund	8.3	6.2	4.5	4.6
World Bank	7.9	5.5	3.8	3.9
Russia				
Economist Intelligence Unit	9.0	5.0	4.0	4.0
Export Development Council	9.0	5.0	3.0	3.8
International Monetary Fund	9.0	5.0	4.4	4.9
Kiel Institute of World Economics	9.0	5.0	3.3	4.0
OECD	9.0	5.0	3.5	4.0
Asia Pacific				
Economist Intelligence Unit	4.2	1.4	1.3	3.4
Asia Pacific, excl. Japan				
Economist Intelligence Unit	6.6	3.6	4.8	5.6
Export Development Council*	7.2	4.8	5.4	6.1
International Monetary Fund*	6.9	5.0	5.6	6.2
Asian Development Bank*	7.0	3.7	4.8	5.8

* Also excluding Australia

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
ASEAN-10				
Economist Intelligence Unit	6.2	1.9	3.6	4.9
Asian Development Bank	5.9	1.9	3.4	4.3
ASEAN-4 (Indonesia, Malaysia, Philippines, Thailand)				
International Monetary Fund	5.1	2.6	3.3	4.1
Export Development Council		2.4	3.2	4.2
NICs (Hong Kong, Singapore, S. Korea, Taiwan)				
International Monetary Fund	8.5	0.8	3.6	5.1
Export Development Council		0.9	2.8	3.2
World Bank	8.0	-1.3	2.4	4.2
Japan				
Economist Intelligence Unit	2.2	-0.4	-0.7	1.5
Export Development Council	2.2	-0.4	-1.2	0.6
International Monetary Fund	2.2	-0.4	-1.0	0.8
World Bank	2.2	-0.4	-1.5	1.7
Kiel Institute of World Economics	2.2	-0.4	-1.5	1.0
OECD	2.2	-0.4	-0.7	0.3
Asian Development Bank	2.2	-0.4	0.0	1.0
China				
Economist Intelligence Unit	8.0	7.3	7.4	7.7
Export Development Council	8.0	7.3	7.0	8.0
International Monetary Fund	8.0	7.3	7.0	7.4
World Bank	8.0	7.3	7.0	7.0
Kiel Institute of World Economics	8.0	7.3	7.0	7.5
OECD	8.0	7.3	7.1	7.6
Asian Development Bank	8.0	7.3	7.0	7.4
South Korea				
Economist Intelligence Unit	9.2	3.3	4.4	4.4
Export Development Council	9.2	3.3	5.2	6.0
International Monetary Fund	9.2	3.3	5.0	5.5
World Bank	9.2	3.3	4.2	5.6
Kiel Institute of World Economics	9.2	3.3	5.0	5.0
OECD	9.2	3.3	6.0	6.5
Asian Development Bank	9.2	3.3	4.8	6.0
Australia				
Economist Intelligence Unit	3.2	2.4	4.0	4.3
Export Development Council	3.2	2.4	3.4	3.7
International Monetary Fund	3.2	2.4	3.9	4.0
OECD	3.2	2.4	3.7	4.0

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Middle East (incl. North Africa)				
Economist Intelligence Unit	4.5	2.3	1.6	4.4
Export Development Council	3.9	2.8	3.5	4.2
World Bank	4.2	3.1	2.7	3.3
Saudi Arabia				
Economist Intelligence Unit	4.5	1.8	0.6	3.8
Export Development Council	4.5	2.7	1.5	3.8
International Monetary Fund	4.5	2.2	-0.5	3.2
Iran				
Economist Intelligence Unit	6.1	4.5	4.1	4.7
Export Development Council		4.5	3.9	4.3
International Monetary Fund	4.9	5.1	5.3	5.1
Africa (Sub-Saharan)				
Economist Intelligence Unit		2.8	3.4	4.3
Export Development Council		2.3	3.0	3.9
International Monetary Fund	3.1	3.4	3.5	4.2
World Bank	3.1	2.6	2.6	3.6
South Africa				
Economist Intelligence Unit	3.4	2.2	2.4	3.4
Export Development Council	3.4	2.2	2.3	3.3
International Monetary Fund	3.4	2.2	2.3	3.0
World Bank	3.4	2.2	2.9	4.0

Release dates of forecasts:

Economist Intelligence Unit: April - May 2002

Export Development Corporation: February - April 2002

International Monetary Fund: April 2002

World Bank: March - April 2002

Kiel Institute of World Economics: March - April 2002

OECD: April 2002

Asian Development Bank: April 2002

Note: Wherever available, official historical growth rates were used



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